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Realty Trust Review

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BI-MONTHLY RELATIVE APPEAL RANKINGS & ADVISORY

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PORTFOLIO ADVISORY: DIVIDEND PAYERS BELOW BOOK VALUE STRESSED IN MARKET SURGE

Suddenly investors can't buy enough realty trust stocks.

The daily new high list is dotted with realty trusts on the NYSE and some stocks made incredible one-day price gains, especially the lower priced recovery candidates: Diversified Mtg. is up 70% to 5-3/4 since our Aug. 21 pricing for the last RTR and South Atlantic Trust (formerly Atico) up 57% to 5½. Many others are up 30%.

This is the boiling market action where you can easily overpay by chasing moving stocks.

We think you'll do better by focusing on by-passed values and our RANKINGS this month are designed to position you for what's ahead, not what's behind.

Case in point is Diversified: We jumped it to No. 1N last March 10 when it pulled a coup by buying in bank debt at a discount. It was 3-3/8 then and traded at that same price only two weeks ago, on Aug. 21. Then came a surge reaching 6½.

We're now downgrading DMG to No. 2N because the price looks high--although stock is still 32% below book value.

So far nearly all the action has been on the NYSE, although Heitman Mtg. and Security Mtg. have been prominent new highs with heavy volume on the ASE.

What's moving investors: Wide belief that interest rates have peaked for now (despite the uptick in prime to 9¼%).

And, a big move by banks to get out of their REIT loans to all but the sickest trusts by end of 1979. We signalled this move in the Aug. 25 RTR.

Three of the seven trusts we mentioned then have repaid their banks in full -- in the last two weeks. The trio: Midland Mtg., C.I. Realty and Barnett-Winston Inv.

We leaped Midland from 4N to 2N because they now have freedom to develop two large land tracts. C.I. Realty stays unchanged at 2N because much of the improvement has been discounted. BWIT still must restructure subordinated debt (see p. 2).

But we moved Texas First Mtg. to No. 1N (no dividend) because it is swapping to

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repay banks and because aggressive Eastover Corp. (formerly First Commerce) has just bought 12½% of shares. All this at 48% below hard book value.

More trusts will repay most or all bank debt by the time 1980 rolls around; more managers are convinced they cannot sit on their assets.

At the same time generally strong real estate markets are steadily reducing the load of nonearning assets, letting return on book value rise.

We have shaped RELATIVE APPEAL RANKINGS into two strategies for you:

Strategy No. 1: Buy dividend payers with deep discounts from book value. Our goal here is good dividend income while waiting one-three years for 50%-75% capital gains as higher earnings bring stock prices back near book value.

We've moved six new stocks to No. 1 (dividends): MassMutual Mtg. (14-7/8-NYSE), Mortgage Growth (7-5/8-ASE), NW Mut. Life Mtg. (11-3/4-NYSE), Pac. So. Mtg. (8-3/8-OTC), PNB Mtg. & Realty (12-NYSE) and United Realty (10-ASE).

They join two others: Hospital Mtg. (12-ASE), Lomas & Net. Mtg. (18-3/4-NYSE) as recovery candidates previously ranked No. 1 (highest appeal).

Those eight yield 7½% and sell 35% below book value--about a 54% potential gain if they sell at book value in the next one-three years.

Other No. 1s for solid long-term growth: ConnGen. Mtg. and General Growth.

Strategy No. 2: Buy non-dividend payers with improving fundamentals. Our goal is trusts with generally clean capitalizations (to avoid bankruptcies) and assets good enough to allow swapping and/or sale at prices recovering some loss reserve.

Recent price runups narrow the list but we've gone mainly to ASE and OTC issues for this list, all elevated to No. 2N (no dividend) except GREIT (No. 2-dividend).

Alamand Corp.; Atlanta Nat. RE; Cameron-Brown; Eastover Corp.; First of Denver Mtg. at 46% below book; First Memphis at 32% below book; GMR Props. mainly on hopes of loss reserve recovery; GREIT Realty at 41% below depreciated book; Institutional Inv. for pending debt restructuring; Kentucky Prop., now repaying banks; Lincoln Mtg. and Midland Mtg., both now out of the banks; Mission Inv., a merger candidate; North Amer. Mtg., slowly recovering; TIERCO and Wachovia Rlty., both repaying banks.

A notch below, mainly because of recent price run-ups, are these trusts moved to 3N (no dividend, average appeal):

BRT Realty; BT Mtg.; Colwell Mtg., emerging from bankruptcy; First Penn. Mtg.; First Wisconsin Mtg.; South Atlantic even after the recent price move; Tri-South Mtg. after wrapping up debt restructuring.

Others moved to 4N (no dividend, below average): C.I. Mtg. on completion of a credit agreement and pending asset swaps; Continental Mtg. and Dominion Mtg., both improving in bankruptcy.

Down moves include: MONY Mtg. because of rate exposure; and API Trust, for late filing of financial data.

TENDERS/EXCHANGES: BARNETT-WINSTON INV. SEEKS DEBT RESTRUCTURING, REPAYS BANKS

Barnett-Winston Investment Trust has extended until Sept. 15 its offer to pay either \$580 cash or \$1,000 principal of a new 5% subordinated debenture for \$1,000 face amount of the existing 8¼% convertible subordinated debentures.

About 18% of holders are reported tendering so far and one large holder, Schultz Investments, Ltd. has agreed to tender another 26%. BWIT seeks 75% acceptance.

But meanwhile market prices of the 8¼s have soared to current quotes at 80. Investors apparently smell another turnaround like Midland Mtg. (RTR, Apr. 25) when failure of a tender but repayment of bank debt sparked a rally. BWIT repaid its last bank in August. The price difference is now so compelling that we'd sell bonds in the market rather than tender at this stage.

RELATIVE APPEAL RANKINGS AND LATEST RESULTS

Relative Appeal (RA) Rankings, shown in the extreme left column, give Audit Investment Research's current view of relative attractiveness of current share purchases. All trusts are ranked from 1 to 5 based upon dividend and capital preservation outlook. Non-dividend paying trusts are designated with an "N" beside their ranking. Each trust comment contains brief advice on suitability of both shares and bonds. Average market risk is assumed for all share purchases. Changes in rankings are indicated by ↑ UP ↓ DOWN.

Relative Appeal Rankings mean:

- 1--Highest appeal with lowest market risk; Dividend outlook stable to up, or may be resumed shortly.
 - 2--Above average appeal, somewhat higher market risk; Dividend increases or resumption expected over 1-2 years.
 - 3--Average appeal and market risk; Dividend fluctuates or resumption possible longer term.
 - 4--Below average appeal, high market risk; Dividend cuts or omissions possible.
 - 5--Least appeal; Dividends in peril or not foreseen; Serious problems: SEC trading halt; no auditor's opinion; serious debt defaults; Chapter XI; negative equity; banks calling loans.
- NON-DIVIDEND paying trusts are not recommended for income investors, but may have special trading appeal as speculations upon quick price moves based on dividend resumption, trust recovery, money market rates or other news.
- Portfolio shows: invested assets in millions of dollars (M); % of problem, non-earning assets; & property type mix.
- Financing shows: leverage ratio of all debt to shareholder equity (over 20-to-1 ratio shown as "high leverage"); current financing arrangements.
- Earnings and Div. are latest quarter share amounts for earnings and dividends. Estimates (E) for current or following fiscal years where feasible. EPS=earnings per share; CFS=net cash flow per share. Data, rankings and advice reviewed bimonthly. ("Date reviewed" shows latest review in either Realty Trust Review (RTR) or comprehensive Realty Stock Evaluation (EVAL)).

RA--TRUST (Date reviewed-Type-FY) Portfolio size, % problem status & mix; Financing; Latest EPS results, dividends & advice

- ↑ 2N-ALAMAND CORP. (was Benef. Std. Mtg.) (EVAL 3/7/8-Mtg/Forcl prop-July FY) Plan holding corp. (Moraga) to manage prop. & diversify. Port.: \$51M, 69% non- & 20% low-earn; 79% foreclosed; Mix: 30% land, 19% condos. Financing: High leverage; \$26M bank debt under new terms w/\$10M asset swap, poss. interest forgiven. Earnings: Apr. Q 22¢ after 43¢ int. forgiven. Converts: Spec. yield. Shares: Spec. on diversification
- 3N-AMER CENTURY (EVAL 12/14/7-Mtg/Forcl prop-June FY) VOTING NON-REIT PWR Port.: \$103M, 18% non- & 37% low earn; 70% foreclosed; Mix: 13% land, 33% office, 19% hotel. Financing: 5.6 leverage; \$56M bank debt at 5% or net income, to 10/1/78; Negotiating extension at prime after. Earnings: June '78 FY d28¢; E '79: Higher interest may widen loss. Bonds: Spec. yield. Shares: Hold, moderate recovery at 16% below book value.
- 5N-AMER FLETCHER (EVAL 3/7/8-Mtg/Forcl prop-Jan FY) NON-QUAL TRUST. Port.: \$59M, 85% nonearning & reduced rate; 74% foreclosed; Mix: 20% condos, 48% land & devel. Financing: \$0.2M neg. equity; \$32M bank debt to 9/29/78 at 6% accrued inter. with prepayments met; swapping \$5M assets. Earnings: Apr. Q EPS 67¢ after 59¢/sh. int. forgiven. No auditor's opinion '78. Shares: Trading speculation only.
- 4N-AMER REALTY (EVAL 7/29/7-Prop.&Mtg.-Sep FY) NON-QUAL TRUST. Port.: \$39M, 34% nonearning; Mix: 19% mtgs, 74% equity, 7% foreclosed; 40% hotels/motels, 29% land. Wash., D.C. area. Financing: 3.9 leverage; \$13M notes secured by assets; bank debt being restructured. Earnings: June Q 3¢. Bonds: 7% conv. int. default 5/78. Shares: Trading; recovery prospects better.
- ↓ 5N-API TRUST (No review-Property-Mar FY) Port.: \$47M, E10% nonearning; 79% in property, most net leased, & 21% in mtgs. Financing: 4.8 leverage; 46% by mortgages on property, 54% short-term loans. Earnings: Dec. Q EPS d47¢ after 44¢ loss prov; No Div. Shares: Large investor sold 197,000 shares, 19%. SEC halts trading till Mar. '78 report filed.
- ↑ 2N-ATLANTA NATL (EVAL 12/14/7-Mtg/Forcl prop-Aug FY) NON-QUAL TRUST. Port.: \$24M, 52% nonearn; 35% foreclosed. Mix: 17% land, 17% condo, 28% apts.; 33% FL; 35% TX. Financing: 0.5 leverage; \$6M bank debt to 1/81 at 115% of prime. Assets pledged. Earnings: Aug. '77 FY d\$1.51; '78 near breakeven; May Q 24¢ after 11¢ int. reversal & 2¢ tax benefit. Shares: Strong recovery spec. at 42% below book. Group owns 17%.
- 3 -BAIRD & WARNER (RTR 8/11/8-ST mtg.-July FY) Port.: \$46M, 22% nonearn; 4% foreclosed; 32% indust., 17% condos, 15% apts. New commitments. Financing: 1.6 leverage; Bank lines \$32M (\$13M borrowed). Dividends: Paid four 3¢ qtrly. from FY'77 income. Earnings: Apr. Q d8¢; July '79 FY E internal imp. Converts: Speculative yield. Shares: Hold for low yield & long-term recovery toward book value.
- 2 -BANKAMERICA RLTY (EVAL 8/31/8-Prop.&Mtg.-July FY) Port.: \$170M, 18% nonearning; Mix: 44% property: 27% apts., 20% shop. ctrs., 20% office, 14% hotel. New commitments. Financing: 2.3 leverage; \$50M comm. paper. Earnings: July '78 FY 81¢ oper. profit plus \$1.46 gain; July Q 37¢; FY'79 E \$1.00+. Div: 25¢, up 25%. Converts: For yield. Shares: Buy/hold for medium yield & recovery toward book value.
- 3N-BARNES MTG (EVAL 5/23/8-Mtg/Forcl prop-Sep FY) NON-QUAL TRUST. Port.: \$76M, 70% nonearn; 36% foreclosed; Mix: 46% condo, 23% land & const.; 32% Puerto Rico, 43% Fla. Financing: 2.4 leverage; \$52M debt at 125% of prime, to 12/80. Repayments late. Earnings: June Q d23¢ after 26¢ gains; Sept. '78 FY further losses; Shares: Average recovery speculation; book value eroding. Building out properties.
- 5N-BARNETT-WINSTON (EVAL 9/19/7-Mtg/Forcl prop-Sep FY) NON-QUAL TRUST. Self-adm. Port.: \$49M, 70% non-earn, 60% foreclosed; Mix: 38% apts., 31% land. Financing: \$2M neg. equity; All bank debt repaid; debent. int. default 12/76. Earnings: Mar. Q EPS d77¢ after 35¢ loss prov. Bonds: In default; proposing \$580 cash or new 5% debent. Shares: Avoid till bonds restructured. Name to change.
- 2N-BAY COLONY PROP (EVAL 7/17/8-Volun Prop-May FY) NON-QUAL TRUST. Self-admin. Port.: \$193M, 59% non- & 13% low earning; 47% foreclosed; 25% undevel. land, 75% completed props.; 19% hotel incl. 12% in Miami Beach. Financing: 7.1 leverage; Restruct. \$92M bank debt into \$24M 3% notes; \$68M 8½% + contin. int. to 5/86. Earnings: May '79 FY loss seen; May FY d8¢ after 18¢ swap gain. Bonds: Hold. Shares: Trading/spec. for potential if Fla. approves Miami Beach gambling in Nov.
- ↑ 3N-BRT REALTY (RTR 12/10/3-Prop&Mtg-Nov FY) Port.: \$22M, 65% non-earn; 44% held for sale; Mix: 44% hotel/motel, 18% condos, 15% land & devel. Financing: 3.6 leverage; \$9M debt at ½% over prime to 7/1/81. Earnings: May Q 26¢ after 25¢ loss provision recovery & reversal of prior accrual of interest payable. Shares: Long recovery.
- ↑ 3N-BT MTG INVESTORS (EVAL 12/14/7-LT mtg/prop.-Sep FY) CAN END REIT. Port.: \$127M, 72% nonearn, 35% foreclosed; Mix: 31% apts., 14% land, 10% nursing homes. Financing: \$6M neg. equity; \$90M bank credit to 9/29/78 at 2% + contingent int.; Sponsor Bankers Trust N.Y. lends 55% of credit. Earnings: June Q d14¢; More swaps seen. Bonds: Speculative yield. Shares: Speculation on swap benefits.
- 5N-BUILDERS INV (EVAL 5/23/8-Mtg/Forcl prop-Sep FY) NON-QUAL TRUST. Self-adm. Port.: \$206M, 62% non- & 21% low-earn; 36% held for sale; 29% condos, 24% land. Financing: High leverage; \$120M debt at 2% to 9/79, 3% to 9/80, 115% of base rate after, with asset pledge & contingent interest. Seeks stretch of '79 debt repayments. Swapping more assets. Earnings: June Q d39¢. Shares: Avoid; Looks overpriced.
- ↑ 2N-CAMERON-BROWN (EVAL 3/7/8-Mtg/Forcl prop-Dec FY) NON-QUAL TRUST. Port.: \$95M, 49% non- & 34% low-earn; 71% foreclosed; 35% apts., 30% land & devel., 17% condos. Financing: 5.0 leverage; \$63M bank credit at 3% min. int. or income to 12/79. Earnings: June Q d11¢ after 55¢ swap gain & 54¢ loss prov. Shares: Trading or L/T spec. Now 36% below book value but aggressive sales/swaps may halt bleeding.
- 3N-CAPITAL MTG (EVAL 5/23/8-Mtg/Forcl prop-Dec FY) NON-QUAL TRUST. Port.: \$60M, 53% nonearn, 42% foreclosed; Mix: 36% land, 29% L/T loans; 55% MD & VA. Developing land. Financing: \$2M neg. equity; \$32M bank credit at higher of net cash income or 3% to 7/31/79. Earnings: June Q d55¢ after 98¢ loss prov. & 40¢ swap gain & 2¢ sale gain. Converts: Spec. yield. Shares: Trading/limited recovery. Seeking merger.
- 2N-CENTRAL MTG (EVAL 5/23/8-ST mtg.-Mar FY) Port.: \$19M, 22% non- & 17% low earn; 33% foreclosed; 31% land, 38% apts., 15% comcl. & indust. Financing: 0.9 leverage; \$17M bank credit to 4/79 at 117% of prime, permits \$3M new loans. Earnings: June Q 26¢ after 22¢ sales gain; Mar. '79 FY breakeven seen. Shares: Buy/hold for LT recovery at 44% below book value. Selling land. Rejected merger overture.

RELATIVE APPEAL RANKINGS-continued from page 3

RA--TRUST (Date reviewed-Type-FY) Portfolio size, % problem status & mix; Financing; Latest EPS results, dividends & advice

- 5N-CHASE MANHATTAN MTG (EVAL 3/7/8-Mtg/Forcl prop-May FY) NON-QUAL TRUST. Port.: \$293M, 94% nonearn; 6% held for sale. Reorg. as realty owner-operator. Financing: \$23M neg. equity; bank debt \$150M to 12/81 at 6% inter.; missed May 1 bond maturity. Earnings: May Q d\$1.26; May FY d\$3.93. Sr. Bonds: Workout speculation. Shares: Avoid. Missed repaying \$37M 7-7/8 sr. debt 5/1/78; Seeks pre-planned Chap. XI giving preferred worth 94% of equity for subor. debt; Sponsor walking.
- 4N-CI MTG GROUP (EVAL 3/7/8-Mtg/Forcl prop-Oct FY) NON-QUAL TRUST. Port.: \$248M, 85% nonearn, 60% foreclosed; Mix: 48% apts., 15% land. Financing: \$15M neg. equity; \$225M bank credit accruing at 5% interest (1% cash) to maturity 10/31/82, contingent on \$100M prin. payment, mainly via swaps, & positive net worth; all assets pledged. Earnings: Apr. Q d24c. No auditor's opinion '77. Shares: Trading speculation on bank concessions via swaps; otherwise bankruptcy or liquidation possible.
- 2N-CI REALTY INV (EVAL 7/17/8-Volun prop-Feb FY) NON-QUAL TRUST. Port.: \$104M, 7% nonearn. Mix: 93% ownership, 7% mtgs.; 41% apts., 48% NYC offices. Financing: 1.5 leverage; Mortgaged offices & repaid banks 9/78. Earnings: Feb. '79 E EPS 20c & CFS 90c; May Q EPS d8c, CFS 8c. Settled two lawsuits. Shares: Merger spec.; 12% of shares bought by outside group & 15.6% by advisor.
- 3N-CITINATIONAL DEV (No review-Mtg/Forcl prop-Mar FY) NON-QUAL TRUST. Port.: \$13M, 71% non-6low-earn; 71% foreclosed. Mix: 31% office, 28% 1-family. Financing: 0.4 leverage; \$3M comm. paper is only debt. Earnings: Mar. FY EPS d7c. Shares: Limited interest.
- 4N-CITIZENS & SO RLTY (EVAL 3/7/8-Mtg/Forcl prop-June FY) NON-QUAL TRUST. Port.: \$231M, 36% non-earn. 27% for sale; Mix: 17% shop. ctrs., 17% land, 26% apts.; 36% GA, 24% FL. Financing: \$12M neg. equity; \$173M bank credit accruing at 1% cash inter. extended to 9/82, will swap \$75M. Earnings: Mar. Q EPS d20c. Bonds: 51% tender completed; positive equity possible. Shares: High risk until physical progress shown; still very tenuous.
- 3N-CITIZENS GROWTH (RTR 2/10/8-Prop-Jan FY) NON-QUAL TRUST. Port.: \$8M, 55% nonearn; 24% foreclosed. Mix: heaviest motels & land. Financing: 0.4 leverage; \$1.2M bank credit to 7/80 at 5%, reduced to 4% upon \$200T repayment; assets pledged. Swaps cutting debt. Earnings: July Q 7c after some nonrecurring income. Shares: Hold moderate LT recovery; broker group bought 18%.
- 5N-CITIZENS MIT (EVAL 3/7/8-Mtg/Forcl prop-Dec FY) NON-QUAL TRUST. Port.: \$70M, 72% non-6low-earn; 68% foreclosed; Mix: 38% land & develop., 14% condos, 20% apts. Financing: \$24M neg. equity; \$56M bank loan expired 10/76; Proposes swapping most assets for bank debt & tender for notes at 40; Banks suggest pre-approved Ch. XI instead. Earnings: June Q d45c; No auditor opinion '77. Subor. notes: In default since 10/15/76 & 17% of holders seek acceleration. Shares: High risk restructuring speculation; Potential dilution.
- 2N-CLEVETRUST RLTY (EVAL 12/14/7-Mtg/Forcl prop-Sep FY) NON-QUAL TRUST. Port.: \$92M, 43% non- & 15% low-earn; 51% foreclosed; Mix: 67% equity incl. foreclosed; 27% apts., 27% comcl., 18% land, 17% office. Financing: 2.2 leverage; \$33M bank debt to 12/78 at prime but not over 7%; Earnings: Sees Sept '78 profit on asset sales; June Q d17c. Shares: Buy/hold long-term recovery.
- 3N-COLWELL MTG (EVAL 5/23/8-Mtg/Forcl prop-Dec FY) Port.: \$133M, 33% non- & 7% low earn, 61% foreclosed & refinanced; 35% apts., 19% hotel/motel, 21% shop. ctrs. Financing: Pro forma 9.4 leverage, \$109M bank debt; pre-planned Ch. XI. confirmed April 1978 giving banks 8% int. with deben. getting 40% & 34% of par + preferred. Earnings: June Q \$6.12 after \$5.92 restr. gain. Shares: New preferred interesting
- 1 -CONN GEN M&R (EVAL 12/14/7-Prop & Mtg.-Mar FY) Port.: \$340M, 3% non & 12% low-earn, 5% foreclosed; Expanding properties; Now 37% regional shop. ctr., 31% residen. Financing: 2.1 leverage; \$230M debt. Earnings: Mar. '78 FY EPS \$1.50; oper. CFS \$1.73; E '79: small gain; June Q EPS 30c after 6c sale gain; CFS 52c after gain. Div: 40c unch. Converts: Low, safe yield. Shares: Buy/hold L/T; Div increase possible
- 4 -CONSOL CAP RL (EVAL 8/8/7-Property-Nov FY) Port.: \$131M, 0 nonearning; 82% apts. with 8,440 units, 16% shop. ctrs.; 51% Texas. Financing: 2.6 leverage, \$92M secured mtgs. Earnings: May Q EPS d7c; CFS 42c. Div: Aug. monthly 17c unch. & about 100% capital gains or taxfree capital return. Shares: Speculative income, over book.
- 2 -CONT ILL PROP (EVAL 7/17/8-Property-Oct FY) Port.: \$284M, 0.2% foreclosed & nonearn; Mix: 40% apts., 28% shop. ctrs., 23% office bldgs. Financing: 2.0 leverage; \$34M bank lines and \$177M mortgages on property. Earnings: Oct. '77 FY EPS 55c; '78 FY E EPS 35-40c, CFS \$1.25-.30; Apr. Q EPS 7c; CFS 37c. Div: 32c. Shares: Cash flow up on larger port.; Yield and some longer term appreciation.
- 3N-CONT ILL RLTY (EVAL 3/7/8-Mtg/Forcl prop-Mar FY) CAN END REIT. Port.: \$151M, 53% non & 24% low-earn; 54% foreclosed; Mix: 31% land. Financing: High leverage; New \$69M bank debt at 5% minimum interest up to 130% prime to 11/30/79; lesser of 130% prime or 10% to 12/31/80. Pledging assets. Earnings: June Q d37c. Bonds: Redemption spec. Shares: Hold for long recovery, possible success as owner/developer. Sponsor to buy \$35M assets, proceeds to redeem deben. if trust repays \$55M to banks by 11/79.
- 4N-CONTINENTAL MTG (EVAL 5/9/8-Mtg/Forcl prop-Mar FY) NON-QUAL TRUST. No financial statements since Dec '76. Latest data: Port.: \$582M, 93% problem. Financing: \$78M neg. equity; Total debt \$561M; Filed Ch. XI 3/8/76 & liquidation ordered but stayed by Chapter X filing 10/22/76. Earnings: Unofficial: 7c/sh. 2 mo. to May 31, 1978. Bonds & shares: High risk speculation on success of protracted litigation.
- 4N-COUSINS MTG&EQ (EVAL 12/14/7-Mtg/Forcl prop-Aug FY) NON-QUAL TRUST. Self-adm. Port.: \$146M, 74% nonearn; 61% foreclosed; Mix: 20% apts., 45% land/develop., 18% hotel/motel. Financing: High leverage; \$77M bank debt at income or 2%, plus contin.; to at least 12/31/79. Earnings: May Q d5c. Bonds & shares: Price runoff discounts potential of pending reorgan. to holding co. diversification.
- 2 -DENVER REIA (RTR 10/14/7-Property-Dec FY) Port.: \$51M. Mix, by revenues: 12% apts., 22% shop. ctrs., 14% motel, 48% office & commercial, 4% mtgs.; all Colo. Financing: 4.6 leverage; \$32M property mortgages, \$5M debentures. Earnings: Mar. Q EPS d5c. CFS 21c. Div: June 18c; '77 div. approx. 50% tax-free. Shares: Buy/hold for income and growth; big improvement in '78 cash flow.
- 2N-DIVERSIFIED MI (RTR 6/9/8-Mtg/Forcl prop-Dec FY) NON-QUAL CORP. Self-adm. Port.: \$137M, 81% nonearn, 26% foreclosed; Mix: 67% secondary & 9% primary homesites, 11% raw land, 9% LT mtgs. Financing: 0.7 leverage; \$45M due Con. Ill. Bank 12/31/79 at 118% prime. Earnings: June Q d3c. Shares: Long-term recovery spec. but recent runoff dims allure; merger possible.
- 4N-DOMINION M&R (No review-Mtg/Forcl prop-May FY) NON-QUAL TRUST. Self-adm. Port.: \$34M, 38% non- & 46% low-earn, 76% foreclosed; Mix: 1/3 condos (mostly FL), 1/3 apts. Financing: \$7M neg. equity; Total debt \$35M; Chapter XI filed 6/28/77. Earnings: May Q 24c; FY d53c. Bonds & shares: Proposed bankruptcy plan would give deb. holders 71% of sh.; High risk speculation.
- 2N-EASTOVER CORP. (was FIRST COMMERCE) (EVAL 3/7/8-Mtg/Forcl prop-Dec FY) NON-QUAL REIT. Self-adm. Port.: \$20M, 65% non- & 14% low-earn; 55% foreclosed; Mix: 68% land; 49% LA, 51% other South. Financing: 0.2 leverage; bank debt repaid 4/28/78 from asset sales. Earnings: June Q 46c after 42c loss prov. recovery. Shares: Speculation on more aggressive workout, deals under new management. Buying 12% of Texas First Mtg. stock.
- 3 -EQUIT LF MTG (RTR 4/14/8-LT mtg.-Oct FY) Port.: \$413M, 8% nonearning; 33% LT mtgs., 58% ST const. & devel.; Expanding ST; Mix: 29% shop. ctrs., 18% tracts & land. Financing: 1.8 leverage; \$245M debt: 55% comm. paper, 21% term notes, 20% short-term notes. Earnings: Oct. '78 FY E EPS \$2+; July Q 54c. Div: 50c; E '78 \$2. Shares & bonds: Hold, EPS vulnerable to short term interest rates.
- 2 -FEDERAL RLTY (EVAL 8/31/8-Property-Dec FY) Self-administered. Port.: \$39M, no nonearning; cash flow 26% apartments, 74% shopping centers; mostly Wash., D.C. area. Financing: 1.7 leverage; \$23.6M debt, 86% secured mtgs.; Earnings: June Q EPS 29c, Dec. FY '78 E \$1.25+. Div: 34c; E '78 \$1.36. Shares: Buy/hold income and modest growth; high quality. Buying 15 shopping centers to double assets.
- 4N-FIDELCO GROW (EVAL 12/14/7-Mtg/Forcl prop-Nov FY) NON-QUAL TRUST. Port.: \$102M, 78% nonearn; 60% foreclosed; Mix: 31% land (developed & raw), 31% condos, 14% apts.; 31% Penn., 25% Fla. Financing: 13.3 leverage, \$72M bank credit to 11/30/78 at 1% cash & earnings; swapping assets. Earnings: May Q 19c after 62c swap gain & 14c settlement gain. Shares: Speculation on sponsor aid.
- 2 -FIRST CONTNL (EVAL 5/23/8-ST mtg.-Feb FY) Port.: \$45M, 9% nonearn, 5% foreclosed; Mix: 51% const. loans, 38% devel., 10% land; 86% TX. Financing: 1.4 leverage; \$32M bank lines at 1/2% over prime, 10% + 10% balances, to 7/78; must pledge assets equal to debt if demanded. Earnings: May Q EPS 25c; Feb. '79 FY E \$1.00-1.05. Div: 24c, up 1c. Making new commitments. Shares: Hold speculative income & recovery.

RELATIVE APPEAL RANKINGS-continued from page 4

RA--TRUST (Date reviewed-Type-FY) Portfolio size, % problem status & mix; Financing; Latest EPS results, dividends & advice

- ↑2N-FIRST DENVR MI (EVAL 4/10/8-Mtg/Forcl prop-Sep FY) NON-QUAL TRUST. Port.: \$54M, 38% nonearn; 27% foreclosed; Mix: 18% land, 19% condos-secondary, 11% condos-primary, 14% motels. Financing: 3.7 leverage; assets pledged; \$38M bank debt to 5/31/81; 3% in '78, 6½% in '79 or cash flow, 125% prime in '80. Earnings: June Q d27c after 14c swap gain. Shares: Recovery spec. at 46% below book.
- 3 -FIRST FIDELITY (EVAL 8/8/7-Property-Nov FY) Port.: \$28M, Est. 0% nonearn; Mix: 53% shop. ctrs., 33% office. Financing: 2.3 leverage; \$21M secured mtgs. Earnings: May Q EPS d65c after 78c loss on abandoned prop.; CFS 19c before loss. Div: Dec. '77 10c. Shares: To liquidate, relatively unattractive, speculation on liquidating at or above \$9.90/sh. book value. One group owns 9% of shares.
- ↑2N-FIRST MEMPHIS (EVAL 12/14/7-Mtg/Forcl prop-Nov FY) NON-QUAL TRUST. Port.: \$48M, 45% non- & 21% low-earn; 59% foreclosed; Mix: 30% land, 22% offices, 14% industrial, 20% apts.; 34% Tenn. Financing: 7.2 leverage; \$27M bank debt at 2% + contingent interest to 11/30/78, swapping assets. Earnings: May Q 18c after 16c asset sale gain; Shares: Speculative at 32% below book value.
- 5N-FIRST MTG INV (EVAL 5/23/8-Mtg/Forcl prop-Jan FY) NON-QUAL TRUST. Self-adm. Port.: \$278M, 20% non- & 45% low-earn; 51% foreclosed; Mix: 31% hotel/motel, 28% apts., 8% land, 17% office. Financing: \$51M neg. common equity; \$204M bank credit at 1½% or net income, expired 8/31 & negotiating. Earnings: Apr. Q 1c after 2c swap gain. Bonds: For asset swaps. Shares: Avoid, high risk.
- 4N-FIRST NEWPORT RL (EVAL 9/19/7-Mtg/Forcl prop-Oct FY) NON-QUAL TRUST. Self-adm. Port.: \$113M, 47% non- & 21% low-earn; 44% foreclosed; Mix: 31% condos, 14% land, 22% hotel/motel. Financing: 10.2 leverage; \$58M bank debt at higher of 1% to 11/78, plus contin. int.; renego. reduced repaymt at higher int. rate. Earnings: Apr. Q EPS d43c. Bonds: Hold. Shares: Long hard recovery, progress disappointing.
- ↑3N-FIRST PENN MT (EVAL 4/10/8-Mtg/Forcl prop-July FY) NON-QUAL TRUST. Port.: \$144M, 75% nonearn, 62% foreclosed; Mix: Heavy condos, comcl. & indust. land; 21% Fla. Financing: 19.2 leverage; \$93M bank debt at 5%, accrue to prime with interest forgiveness. Asset swap. Earnings: Apr. Q EPS d64c after 35c int. forgiven. Converts: Spec. yield. Shares: Trading, pending swaps may add \$2.70 to book value.
- 2 -FIRST UNION (EVAL 8/17/8-Property-Oct FY) Port.: \$197M, E7% low earn; Mix: 70% major office, 25% shop. ctrs.; Bought \$9M offices; internally managed. Financing: 3.4 leverage; \$141M debt: 71% secured mtg., 17% short, 9% conv.; \$10M preferred. Placed new \$10.8M mtg. Earnings: Apr. Q EPS 23c & CFS 30c after 2c gain; Oct. '78 FY E EPS 85c, CFS \$1.05. Div: 26c, E \$1.04. Shares & Bonds: Buy for quality income; new mtgs. cut rate risk.
- 3N-FIRST VIRGINIA (EVAL 9/21/7-Mtg/Forcl prop- Jun FY) NON-QUAL TRUST. Self-adm. Port.: \$70M, 42% non- & 8% low-earn; 50% foreclosed. Mix: (Foreclosures) 31% condos, 23% land; 37% Va., 34% Fla. Financing: 7.1 leverage; \$32M bank credit to 12/79 accruing at 4% + contingency to 125% prime. Pledged assets. Earnings: Mar. Q EPS 22c. Bonds: Hold. Shares: Hold for modest recovery.
- ↑3N-FIRST WISCONSIN MT (EVAL 4/10/8-Mtg/Forcl prop-Dec FY) NON-QUAL TRUST. Port.: \$118M, 37% non- & 49% low-earn; 75% foreclosed; Mix: 19% condos, 31% apts., 29% land; 49% southeast (36% FL), 25% midwest. Financing: 9.0 leverage, \$75M bank debt at 1% or net income to 5/80. Earnings: June Q nil after 55c loss provision. Shares: Long recovery, some dilution.
- 2N-FLATLEY RLTY (EVAL 8/8/7-Prop&Mtg.-June FY) Self-adm. Port.: \$21M, 3% non- & 12% low-earn; 40% foreclosed; Mix: 39% apts., 51% shop. ctrs.; 94% Mass. Making some new investments. Holdings: 95% equity, 5% loans. Financing: 2.1 leverage, \$14M debt is 87% secured mtgs. Earnings: June Q EPS 12c; EPS FY 23c. Fair profit expected June '79 FY. Div: Resumed 20c. Shares: Buy for recovery toward book value.
- 2 -FLORIDA GULF (EVAL 8/8/7-Property-Apr FY) Port.: \$33M; Most Grant space filled. Mix: Over 93% shop. ctrs. (strip); 92% FL. Financing: 1.3 leverage; \$18M secured mtgs. Earnings: July Q EPS 20c; CFS 37c; Apr. '79 FY E EPS 60-70c, CFS \$1.35, div. same. Div: 32c/Q, 55% tax-free. Shares: Buy for yield & modest growth in overage rents and new properties.
- 3N-FRANKLIN RLTY (EVAL 8/26/7-Volun Prop-June FY) NON-QUAL TRUST, mgmt. services. Port.: \$33M, vacancies falling; Mix: 83% equity, 17% mtgs. Equities: 13 offices midwest & Fla., 5 apts., 2 motels, 1 land tract. Financing: 3.3 leverage; \$26M debt: 65% secured, 15% short, 20% conv. Earnings: Mar. Q EPS 14c after 7c NOL & 20c gain. Converts: Hold. Shares: Hold for earnings improvement, expanding real estate services.
- 2 -FRASER MTG (EVAL 12/14/7-ST mtg.-May FY) Port.: \$52M, E7½% nonearn. after sale; Mix: 10% const., 12% land, 25% completed projects, 41% long term, 11% foreclosures; 31% Ohio, 25% Fla. Financing: 2.3 leverage; \$39M debt short term. Earnings: May Q 50c after 43c sales gain; FY \$1.26; E FY '79 up. Div: 27c, up 1c. Making new investments. Shares: Hold for recovery; Block of 8% bought.
- ↑2N-GMR PROP (formerly Gulf) (EVAL 1/31/8-Mtg/Forcl prop-Feb FY) NON-QUAL TRUST. Port.: \$81M, 39% non- & 22% low-earn; 53% foreclosed; Mix: 24% apts., 26% land; 79% Southeast. Financing: 6.4 leverage; \$30M bank debt to 9/7/8 accruing at prime, payable at 4% cash + conting. inter. to 125% prime for 5 yrs. Nego. ext. with similar terms. Earnings: May Q d12c. Bonds: Hold for now. Shares: Recovery speculation.
- 1 -GENERAL GROW (EVAL 8/26/7-Property-Sep FY) Port.: \$324M, 0 problems; high quality. Mix: 76% shop. ctrs. (Major Midwestern malls), 14% apts., Financing: 7.3 leverage; \$288M debt: 91% secured mtgs. & \$25M 9-1/8% notes to 4/97. Earnings: June Q EPS 35c & CFS 44c after 1c gain. Div: Sep. 39c, up 2c, about 60% tax-free. Shares: Buy on dips, unique development ability.
- 2 -GOULD INVST (EVAL 8/26/7-Property-Sep FY) Port.: \$38M, 2% nonearning; Holdings: 85% equity. Properties: NYC office (19% of port.), 5 apts., 15 strip ctrs, 8 restaurants, 2 offices. Financing: 3.6 leverage; 88% secured mtgs. Earnings: June Q CFS 30c; EPS 18c. Div: Sep. 22c, up 2c. Shares: Speculative income, above average yield.
- ↑2 -GREIT RLTY (EVAL 8/26/7-Property-Oct FY) Port.: \$36M, several vacancies. Mix: 61% shop. ctrs., 29% offices & urban stores, 8% apts., 2% mtgs. Financing: 2.1 leverage; \$24M debt, all secured mtgs. Earnings: Apr. Q EPS 10c; CFS 18c. Div: July 10c. Shares: Hold for speculative income and re-leasing of vacant Dayton office space. Renovation to cause drain from this bldg.; shares 41% below depreciated book.
- 5N-GRT AMER M&I (EVAL 5/23/8-Mtg/Forcl prop-Jul FY) NON-QUAL TRUST. Self-adm. Port.: \$315M, 90% nonearning; Mix: 83% foreclosed. 42% apts., 21% land. Financing: Total debt \$321M; \$58M neg. equity; Filed Chap. XI 3/77; SEC Ch.X motion still in progress; Proposed plan: secure assets for sr. creditors + equity for cash int.; deben. exch. Earnings: Apr. Q EPS 9c; foreclosures now positive cash flow. Bonds: Hold. Shares: Still risky.
- 3N-GROWTH REALTY (with LMI) (EVAL 4/10/8-Mtg/Forcl prop-June FY) NON-QUAL TRUST. Self-adm. Port.: \$112M, 38c non- & 17% low-earn; 59% foreclosed; Mix: 42% apts., 17% shop. ctrs. Financing: 5.9 lev.; \$60M debt to 12/81 w/int. accrued at prime; pledging assets. Earnings: June Q \$1.15 after 76c swap loss. June '78 FY \$4.03. Bonds: Risky yield. Shares: Improved speculation, book value over \$8 & poss. \$4 unrealized appreciation
- 5N-GUARDIAN MI (EVAL 5/23/8-Mtg/Forcl prop-Feb FY) NON-QUAL TRUST. Self-admin. Port.: \$218M, 60% non- & low-earn, 42% foreclosed; Mix: 43% land, 18% condos, 28% income-prod. prop. Financing: \$44M Neg. equity; Filed Ch. XI 3/8/78, now expects plan in 30 days; SEC seeks Ch.X. Earnings: Feb. Q d\$1.27; Feb. '78 FY d\$1.93 after \$5.81 gain. Bonds: Inter. default 6/77; Hold. Shares: Hold; Avoid new buys.
- 2N-HAMILTON INV (EVAL 5/23/8-Mtg/Forcl prop-Dec FY) NON-QUAL TRUST. Self-adm. Port.: \$79M, 27% non- & E19% low earn, 39% foreclosed; Mix: 59% apts., 15% offices, 13% land; 37% Okla., 16% Fla. Financing: 4.9 leverage; \$49M bank credit to 6/78 @ 3½% or net income + contingent inter. in default. Renego. credit, aim to cure default, \$8M repay. overdue. Earnings: June Q d8c. Shares: Recovery spec. at 43% below book.
- 2N-HANOVER SQ RL (EVAL 4/10/8-ST mtg.-Aug FY) Port.: \$32M, 21% nonearn, 10% low-earn; 23% foreclosed; Mix: 68% residential, 17% shop. ctrs., 10% land; 48% Northeast. Temporarily stopped making new commitments. Financing: 1.8 leverage, \$16M credit @ 124% prime. Earnings: May Q 12c after 21c gain on deben. repurchase. Converts: Speculative income buy. Shares: Buy/hold for recovery, merger potential.
- 3N-HEITMAN MTG (EVAL 5/23/8-Mtg/Forcl prop-Dec FY) Port.: \$115M, 51% non- & 15% low-earn; 17% foreclosed; Mix: 30% shop. ctrs., 12% hotels, 18% offices, 22% land; 26% Ill., 11% other Midwest, 16% Cal. Financing: 10.5 leverage; \$51M debt to 4/79 at prime, \$20M to 4/79 at ½% over prime. Earnings: June Q d28c. Converts: Higher risk hold. Shares: Recovery speculation.
- 1 -HOSPITAL MTG (EVAL 9/21/7-LT mtg.-Feb FY) Port.: \$37M, 37% nonearn; 2% foreclosed; Mix: 34% medical, 31% land, 18% apts., 13% condos; 2/3 Fla. Swapped two participations for 133 ac. in Houston. Financing: 0.5 leverage; \$9M bank debt; \$3M mtg. Earnings: May Q EPS 10c; E FY '79 EPS 50c, CFS 65c, div. 60c. Div: 15c. Shares: Buy, 5% yield, recovery at 49% below book. Liquidating non-earning mtgs.

RA--TRUST (Date reviewed-Type-FY) Portfolio size, % problem status & mix; Financing; Latest EPS results, dividends & advice

- 3 -HOTEL INVESTOR (EVAL 9/21/7-Property-Aug FY) Self-adm. Port.: \$77M, 4% nonearn; 0% foreclosed; 47% equity/48% LT mtgs.; Mix: All hotels/motels, most national franchises; comcl. business travel oriented. Financing: 1.9 leverage; \$51M debt: 31% secured mtg., \$10M 9-3/4% for 15 yrs. Earnings: May Q EPS 37c; CFS 50c; E FY'78 EPS \$1.50. Div: 45c. Shares & Bonds: Buy/hold income. Occupancy & room rates up.
- 2 -HUBBARD REI (EVAL 7/17/8-Property-Oct FY) Port.: \$86M, E4% nonearning due to Grant vacancies. Mix: Most net leased retail & food stores. Net lessees: 20% Safeway, 17% Ashland Oil, 17% Chrysler. Financing: 97% equity. Earnings: Apr. Q 41c; E FY'78 \$1.70 on new lease acctg.; div. \$1.38-40. Div: 34c up 3%. 8 1/2 of 10 Grants re-leased. Shares: Buy for dividend increase prospects.
- 2 -ICM REALTY (RTR 6/9/8-Subor. land-Nov FY) Port.: \$95M, 57% non- & low-earn; 36% foreclosed; Mix: 50% apts., 26% shop. ctrs., 15% land; 40% land/leasebacks; Financing: 0.8 leverage; \$36M debt: 54% secured mtgs., \$18M credit to 2/79 at 120% prime. Earnings: May Q 28c after 13c gain; E FY'78 EPS 60c; Annual div. 30-40c avail. if no further losses taken. Div: Paid 23.6c in 3/78 from FY'77 income. Shares: Long term recovery.
- 4N-IDS REALTY TR (EVAL 4/10/8-Mtg/Forcl prop-Jan FY) NON-QUAL TRUST. Port.: \$178M, 57% nonearn; 48% foreclosed; Mix: 33% shop. ctrs., 26% land, Financing: \$25M neg. equity; \$170M subor. debentures. Earnings: Apr. Q EPS 54c after \$1.26 extraordinary gains. Bonds: Tender at 80% of par for \$65M face of deben. completed 8/78. Shares: High risk speculation; positive equity possible after tender gains.
- 5N-INDEPENDENCE MTG (No Review-Mtg/Forcl prop-Jun FY) NON-QUAL TRUST. Port.: \$129M, 88% non- & low-earn; 64% foreclosed; Mix: 23% condos; 26% devel.; 16% Fla., 12% Texas, 14% Va., 13% Ill., 9% Ga. Financing: \$10M neg. equity; \$79M credit accruing at 1% w/conting. int & 110% collateral, to 6/1/79. Seeking renegotiation. Earnings: Mar. Q EPS dlc. Shares: Avoid.
- 2N-INDIANA M&R (EVAL 9/21/7-Prop&Mtg-Jun FY) Port.: \$58M, 30% non-earn; 11% foreclosed; Mix of \$28M Mtgs: 57% land, 17% apts. & condos; of \$29M equities & foreclosures: 34% offices, 34% apts., 28% shop. ctrs. Financing: 4.6 leverage; \$44M debt; \$33M credit to 9/78 @ 6% + 120% prime contingent int. Earnings: June Q EPS 37c after 31c loss prov. reversal. Shares: Hold for improvement, operating at approx. break-even ex reserve changes.
- 2N-INSTITUT INV (EVAL 4/10/8-Mtg/Forcl prop-Jan FY) NON-QUAL TRUST. Self-admin. Port.: \$114M, 53% nonearn; 33% low; 55% foreclosed. Mix: 18% apts., 14% condos, 49% land; 20% Fla., 11% Cal. Financing: 5.3 leverage; \$55M bank credit matured 7/78 and seeking extension. Earnings: Apr. Q d35c after 4c debt ext. gain. Bonds: Trading & spec. income; Exchange offer coming soon. Shares: Trading on restructuring.
- 2 -INVESTOR RLTY (EVAL 8/31/8-Prop&Mtg.-Nov FY) CAN END REIT. Self-adm. Port.: \$34M, 18% non-earn. Mix: 54% apts., 15% shop. ctrs.; 86% property. Financing: 0.9 leverage; \$16M debt, 94% secured; \$1M bank debt. Earnings: May Q EPS 30c after 11c int. recov.; CFS 37c. Sold major GA apt. 4/78. Other sales pending. Div: Sep. 15c, up 2 1/2c. Shares: Interesting long-term recovery buy at 16% below depreciated book value.
- 2 -JMB REALTY (EVAL 9/21/7-Subor. land-Aug. FY) Port.: \$24M, 0% nonearn; Mix: 49% apts., 17% office, 17% shop. ctrs.; 53% wrap-around mtgs., 17% land leasebacks; Financing: 1.4 leverage; \$4M open lines from bank. Earnings: May Q EPS 77c after 13c gain; E FY'78 EPS \$1.80-85, div. \$1.80, extra possible. Div: 45c, up 5c. Shares: Buy/hold for speculative yield.
- 2N-KENTUCKY PROP (was KMC) (RTR 5/14/3-Mtg/forcl prop-Nov FY) NON-QUAL TRUST. Self-adm. Port.: \$15M, 88% non- & low earn; 80% foreclosed; Mix: 23% apts., 25% land & devel.; 17% condo; 54% Kentucky. Financing: 3.2 leverage; \$8M bank debt to 5/1/80 at 8%, 4% cash, balance deferred. Earnings: May Q \$1.05 after 69c swap gain & 44c loss res. credit. Shares: Situation improving; broker bought 9% of shares.
- 5N-LIFETIME COMMUNITIES, INC. (Formerly Fidelity) (No Review-Mtg/Forcl prop-Oct FY) Corporation. Port.: \$148M, 75% non- & low-earn, 59% forecl. Settlement: Chap. XI emergence 1/78: Banks get 65% of \$163M debt over 6 yrs. + 4% of stock; sub. debt gets 10% + 15% of par + 5.2% of stock; 7.2 leverage; \$2.25/sh. book value. Earnings: Apr. Q 9c after 4c tax benefit; Apr. 6 mo. EPS \$13.05 after \$12.91 settlement gains. Shares: High risk.
- 2N-LINCOLN MTG (RTR 12/10/3-Mtg-Forcl prop-Mar FY) NON-QUAL TRUST. Self-admin. Port.: \$21M, 78% non & low earn; 78% foreclosed; Mix: 70% apts, Financing: 10.3 leverage; Repaid banks 7/31/78. Earnings: June Q EPS 18c after 12c gain. Bonds & shares: Property sales to rebuild book value.
- 1 -LOMAS & NETTLETON MTG (EVAL 8/17/8-ST mtg.-June FY) Port.: \$261M, 17% nonearn; 18% foreclosed; Making new loans; Mix: 30% land acq. & devel., 45% Texas. Financing: 1.7 leverage; New 5-yr. \$100M credit permits \$50M more comm. paper. All debt floats. Earnings: June Q EPS 45c; E FY'79 EPS & div. \$1.90-2.00. Div: 45c. Shares: Buy/hold, shares depressed 33% below book by rate fear but exposure low; see \$10-\$15M nonearn. drop.
- 2 -M&T MTG INV (EVAL 6/9/8-ST mtg.-Aug FY) Port.: \$49M, 1.2% non-earn; 0.5% foreclosed; Making new loans; Mix: 74% const. & devel., 20% 1-family permanent; all Texas. Financing: 2.2 leverage; \$33M bank borrowings, all secured; sponsor provides compensating balances; \$19.7M unfunded commitments. Earnings: May Q EPS 28c. E FY'78 EPS & div. \$1.02-6. Div: 26c. Shares: Buy for stable yield, good relative value.
- 2N-MARYLAND RLTY (RTR 4/8/7-Mtg/Forcl prop-Nov FY) NON-QUAL TRUST. Port.: \$20M, 32% non- & 8% low-earn; 40% foreclosed; Mix: 32% apts., 32% land, 14% condos; All Fla. & Ga. Financing: 1.7 leverage; \$11M debt at prime + 1/2 to 11/78; prime + 3/4% in FY'79; Assets pledged. Earnings: May Q EPS 17c after 6c NOL & 13c extraordinary gain. Shares: Recovery speculation. Looking for \$2M new investments.
- 1 -MASSMUTUAL MTG (EVAL 1/31/8-LT mtg.-Oct FY) Port.: \$189M, 6% non- & 5% low-earning; 12% foreclosed; Mix: 37% shop. ctr. & retail, 33% apts.; 83% Long-term mtgs. New Commitments. Financing: 1.1 leverage; Small interest rate exposure. \$70M convert. debts. Earnings: Apr. Q EPS 38c after 3c debt & 3c sale gains; Oct.'78 FY E EPS \$1.45. Div: 34c, up 2c. Converts: Safe yield. Shares: Buy/hold at 26% below book value.
- 5N-METROPLEX RLTY (was Justice) (EVAL 6/9/8-Mtg/Forcl prop-Sep FY) NON-QUAL TRUST. Self-adm. Port.: \$27M, 100% nonearn; 50% foreclosed; Mix: land & lots. Financing: Ch. XI 12/77. \$0.3M neg. equity; \$4M bank debt + \$9.6M sub. debts; 2/77 sub. debt int. missed & 25% of holders called debt. Earnings: Mar. Q EPS d17c. Bonds & Shares: Avoid; must solve complex litigation to emerge from Ch. XI.
- 2N-MIDLAND MTG (EVAL 6/9/8-Mtg/Forcl prop-June FY) CAN END REIT. Port.: \$35M, 62% non- & low-earning; Mix: 20% apts., 20% condo, 40% land. Financing: High leverage; Swaps repaid all bank debt 8/78. Earnings: June Q 18c after 80c swap gain. June FY EPS d14c after \$2.98 swap gains. Bonds: Spec. yield. Shares: Speculation on developing/selling two large tracts. One broker bought 13.2% of shares.
- 2 -MILLER HENRY S (EVAL 9/21/7-Prop&Mtg.-Feb FY) Port.: \$28M, 12% nonearn; 10% foreclosed; Mix: 56% shop. ctrs. owned, 23 1/2% land; Mostly Texas. Financing: 2.0 leverage incl. mtgs.; \$6M bank borrowings at 1/2 over prime to June 1, '78; \$12.6M mtgs. on prop. Earnings: May Q EPS 30c. Div: 25c, up 5c. Sold two offices, selling Kansas shop ctr. for \$700T gain. Shares: Buy for long-term recovery; Operating trend up.
- 2N-MISSION INV (EVAL 6/9/8-Mtg/Forcl prop-Nov FY) CAN END REIT. Self-adm. Port.: \$26M, 43% non & 22% low earn; 54% foreclosed; Mix: 40% land & devel., 22% residential, 39% commercial. Financing: 1.5 leverage; \$13M bank debt at prime (max 8 1/2%) to Nov. '79; Assets pledged. Earnings: May Q EPS 5c after 12c gain. Shares: Trading/very long recovery; book value stabilizing. Merger offer spurned.
- 3 -MONY MTG INV (EVAL 1/31/8-LT mtg.-May FY) Port.: \$234M, 8% non- & low-earn; 5% foreclosed; Mix: 29% office, 26% multifamily, 32% shop. ctrs.; 38% LT mtgs.; Making new commitments. Financing: 1.8 leverage; \$105M short term debt, most \$78M comcl. paper; Earnings: May Q 38c after 26c loan restructuring; E FY'79 EPS 72c, div. 92c. Div: 23c/qtr. Convertibles: Safe yield. Shares: Hold; 1% prime rise would cost 1 1/2c/sh. qtr.
- 1 -MORTGAGE GROWTH (RTR 8/11/8-Prop&Mtg.-Nov. FY) Port.: \$45M, 17% nonearn, 3% low earn; 17% held for sale; Mix: 61% apts., 26% office; 34% Calif. Financing: 0.6 leverage; \$7.7M converts held privately & \$10M mtgs. Earnings: May Q EPS 12c; Gross cash flow 20c; E FY'78 EPS 45c & div. 60-2c. Div: 15c, up 1c. Cash flow improving. Shares: Spec. buy/hold for long-term recovery and 8.0% yield.
- 3N-MTG INV WASHINGTON (EVAL 6/9/8-ST mtg.-Mar FY) NON-QUAL TRUST. Port.: \$58M, 40% non- & 15% low earn; 40% foreclosed; Mix: 20% hotel/motel; 14% shop. ctr; 16% condo/townhouse; Financing: 4.9 leverage; \$17M senior bank debt at 11 1/2% of 1/2 over prime, to 12/15/79. Earnings: June Q 25c after 38c asset sale gain. Bonds: Risky yield. Shares: Trading, recovery potential.

RELATIVE APPEAL RANKINGS-continued from page 6

RA--TRUST (Date reviewed-Type-FY) Portfolio size, % problem status & mix; Financing; Latest EPS results, dividends & advice

2N-MTG TRUST OF AMER (EVAL 6/9/8-ST mtg.-Nov. FY) Port.: \$87M, 38% non-& 9% low earn; 31% foreclosed; Mix: 24% land & devel., 17% condos, 19% apts.; 17% Calif.; Financing: 0.6 leverage; \$20M bank debt at full-rate int.; new \$20M credit permits new investments. Earnings: May Q EPS 48¢ after 42¢ int. recovery. Shares: Buy/hold for recovery at 36% below book value.

5N-NATIONAL MTG (RTR 5/14/3-Mtg/Forcl prop-Feb. FY) NON-QUAL TRUST. Port.: \$36M, 81% non-& 11% low earn; 65% foreclosed; Mix: 61% land, 16% comcl; 43% FL. Financing: 1.9 leverage; \$10M secured credit; Chapter XI settlement confirmed & deb. holders got cash, new notes & shares. Earnings: May Q 4¢ after 8¢ gain from debt extinguishment. Shares: Extreme risk that land holdings will be difficult to market.

↑ 2 -NATIONWIDE RE (EVAL 6/17/7-ST mtg.-Mar FY) Port.: \$34M, 44% non-earn; 32% foreclosed; Halted new loans, Mix: 25% medical, 14% condos, 11% land; 30% Ohio, 17% Ind. Financing: 0.3 leverage; \$8M bank lines. Earnings: June Q EPS 26¢ after 16¢ int. recovery. Div: 14¢ incl. 4¢ extra taxable income. Converts: High yield. Shares: Two bidders offer pfd.: Buckeye Fed. S&L, \$19, + Old Stone, \$18. Buy/hold for merger.

2 -NEW PLAN REALTY (EVAL 8/26/7-Property-July FY) Self-admin. Port.: \$19M, 0% non-earning; Mix: 71% shop. ctrs. owned, 14% residential. Bought 110T sf shop. ctr. NY. Financing: 2.4 leverage; Debt 80% mtgs. on prop., 20% sub deben. Earnings: Apr. Q EPS 27¢. E FY'79 EPS operations \$1.05-10. Div: Monthly 8½¢. Shares: Buy/hold for good quality yield and improving income.

5N-NJB PRIME INV (EVAL 10/27/7-Mtg/Forcl prop-Nov FY) NON-QUAL TRUST. Self-admin. Port.: \$65M, 72% nonearn; 40% foreclosed; Mix: 43½% motor lodges/restaurants, 27½% condos. Financing: \$9M neg. equity; Proposed swap for all \$38M bank debt; Exchange: Only 42% accepted \$20 cash for \$100 deb. or \$15 + \$35 in new conv. deb. Preparing for Ch. XI. Earnings: May Q d52¢ after 24¢ loss prov. reversal. Bonds & Shares: Avoid.

↑ 2N-NORTH AMER MTG (EVAL 4/10/8-Mtg/forcl prop-Dec FY) Port.: \$136M, 48% non-& 45% low-earn; 61% foreclosures; Mix: 50% apts., 10% land; 34% Fla. Financing: 2.4 leverage; \$37M demand bank notes. Earnings: June Q EPS d38¢. Bonds: Hold 8½s; 5½s won't be repaid in '79. Shares: Recovery potential from large apt. holdings but progress slower than expected; About 40% discount from est. \$7.50 hard book.

2N-NORTHWESTERN FIN (RTR 4/14/8-Mtg/Forcl prop-Dec FY) NON-QUAL TRUST. Port.: \$33M, 44% nonearn; 26% foreclosed; Mix: 7% apts., 6% office, 7% land, 44% inter-long; 50% N. Caro. Financing: 0.4 leverage; \$9M revolving bank debt at ½% over prime, to 8/31/78. Nego. new. Earnings: June Q 4¢. Profit continuing in 1978. Shares: Recovery and/or liquidation speculation; Broker bought 13%. Seeking tax loss use.

↑ 1 -NORTHWESTERN MUT LF MTG (EVAL 1/31/8-LT mtg.-Mar FY) Port.: \$235M, 8% non- & 6% low-earn; 14% foreclosed; Mix: 24% office, 26% shop. ctrs., 9% land; 60% permanent mtgs. Financing: 1.6 leverage; \$77½M open bank lines; \$20M comcl paper. Earnings: June EPS 49¢ after 33¢ sale gain. Div: 25¢. Being helped by cap. gains & est. \$1 rate payout. Converts: Safe. Shares: Buy, difficulties appear discounted.

↑ 1 -PACIFIC SOUTHERN (EVAL 1/31/8-LT mtg.-Mar FY) Self-adm. Port.: \$11M, 27% nonearn & foreclosed; Settled lawsuit over land. Mix: 68% comcl. loans, 27% foreclosed land & condo. Bought commercial prop. Financing: No debt. Earnings: June Q 15¢. Div: 15¢. Legal expenses ending. Shares: LT recovery or buyout candidate plus spec. yield; President bought 5½% of shares.

2 -PENNSYLVANIA REIT (EVAL 8/26/7-Property-Aug FY) Port.: \$72M, 0.3% nonearning; Mix: 38% apartments, 36% shopping centers. Financing: 3.1 leverage, 90% mtgs on property owned; borrows under \$6½M bank lines. Earnings: May Q EPS 37¢; CFS 50¢. E FY'78 EPS over \$1.20 + gains. Div: 62½¢ semi-annually. \$630T gain from prop. sale in June. Seeking new investments. Shares: Buy/hold long-term for yield & gains.

5N-PLAZA REALTY (EVAL 10/27/7-Mtg/Forcl prop-Dec FY) NON-QUAL TRUST. Self-adm. Port.: \$30M, 72% nonearn; 72% foreclosed; Mix: 44% apts., 15% land, 18% shop.ctr., 89% equity. Financing: High leverage, incl. \$16M mtgs.; \$9M credit at 1% cash or earnings to 1983 up to prime. \$1M repay default 6/30, ext. to 9/30. Nego. \$1.5M secured loan to repay bank. Earnings: Mar. Q d15¢. No auditor's opinion '77. Shares: Avoid or trade only.

↑ 1 -PNB MTG & RLTY (RTR 6/9/8-LT mtg.-Sep FY) Port.: \$114M, 11% non & low earning; 11% foreclosed; Mix: 32% LT mtgs., 18% property owned; 34% apts., 24% office & indust., Financing: 1.6 leverage; \$29M comcl paper. Earnings: June Q EPS 23¢, CFS 27¢. E FY'78 earn. rising. Div: 20¢. Adding new assets. Shares: Buy LT recovery at 39% below book value, small interest exposure.

3 -PROPERTY CAPITAL (EVAL 8/31/8-Subor. land-July FY) Port.: \$50M, 5% non-earn; Mix: 39% apts., 28% office, 21% shop. ctrs.; 63% leasebacks, 37% LT mtgs. Seeking new investments. Financing: 0.8 leverage; \$22M bank lines; \$7M borrowed at ½% over prime. Earnings: July Q 30¢. Div: 30¢. E FY'79 EPS & div. \$1.20. Shares: Buy-hold for yield & long term recovery; Interest exposure minimal.

2 -PROPERTY TRUST OF AMER (EVAL 10/27/7-Prop&Mtg.-Dec. FY) Self-adm. Port.: \$31M, 14% nonearn; 15% mtgs., 8% foreclosed, 75% investment prop; Mix: 33% apts., 26% office, 21% shop ctrs.; 81% Texas. Financing: 0.9 leverage, 92% \$14M mtgs. on property. Earnings: Mar. Q EPS 2¢ after 3¢ cap. gain & 3¢ charge; CFS 5¢ after gain. Div: 7¢. Shares: Hold for recovery; Bought back 5% of shares from Federated Dev.

↑ 2 -RLTY & MTG OF PACIFIC (RAMPAC) (EVAL 1/31/8-LT mtg.-Nov. FY) Port.: \$87M, E10% low-earn; E15% foreclosed; Mix: 64% loans: 26% hotel/motel, 18% office; 31% equity; 47% Calif., 19% Hawaii. Financing: 1.6 leverage; \$40M credit to 11/82: \$20M comm. paper backing and \$20M line to 9% maximum. Earnings: May Q EPS 31¢; E FY'78 EPS \$1.22, div. \$1.28 incl. not less than 20¢/sh. depreciation. Div: 32¢/qtr. Converts & Shares: Hold, vulnerable to interest rates.

3 -REIT OF AMERICA (EVAL 7/17/8-Property-Nov FY) Port.: \$45M, Properties 9% vacant overall; Mix: 42% shop. ctrs., 24% office, 21% industrial; 45% Calif., 13% Mass.; Financing: 0.4 leverage, all mtg. debt. Earnings: May Q EPS 31¢. E FY'78 EPS \$1.12-15, div. \$1.20. Div: 30¢. Shares: Hold long term improvement of property yield.

3 -REALTY INCOME (EVAL 8/31/8-Prop&Mtg.-Apr FY) Self-adm. Port.: \$69M, 35% non- & 16% low-earn; 45% foreclosed; Mix: 19% apts., 27% office. Financing: 3.6 leverage; \$17M under \$23½M bank lines at prime; \$20M term at 1½% over prime to '77-80. Earnings: Apr. Q EPS d56¢, Apr. FY d70¢ after 27¢ gain. Div: 35¢/qtr., paying cap. gains. Converts: Yield. Shares: Hold LT for portfolio upgrading benefits, problem properties being eliminated. European group bought 20% of shares. Agreed to sell large Calif. land tract at \$3.50+/sh. gain if completed.

3 -REALTY REFUND (EVAL 10/27/7-LT mtg.-Jan FY) Port.: \$57M, no problems; Mix: 80% wraparound mtgs., 20% LT mtgs.; 43% apts., 21½% office, 19% industrial. Financing: 1.3 leverage; \$9M debt at 3/4% over prime to 5/79, Sold \$15M deb. at 12% '98 to repay S/T debt. Earnings: July Q 47¢. E FY'79 EPS & div. \$1.90-95. Div: 47¢, down 8%. Bonds: Attractive for yield. Shares: Hold; EPS partly sensitive to prime.

↑ 3N-REPUBLIC MTG (EVAL 6/9/8-Mtg/Forcl prop-Dec FY) NON-QUAL TRUST. Port.: \$49M, 57% non-& 21% low-earn; 77% foreclosed. Mix: 28% land acq. & devel., 19% condo, 13% apts.; 62% Florida. Financing: 3.6 leverage; \$25M credit to 6/30/78 at 3% cash or net cash income, plus contingent inter.; Auto. exten. to 1/79 if \$1.3M repaid. Earnings: June Q nil after 20¢ swap gain. Shares: Trading, spec. recovery, still in red.

3 -RIVIERE REALTY (EVAL 10/27/7-Prop & Mtg.-Dec. FY) Port.: \$22M, 2% nonearning; 2% foreclosed; Mix: 38% apts., 33% office, 15% motel, 39% D.C. area, 51% Ind. Financing: 2.3 leverage, \$9M mtgs. on property; \$2.8M secured term loan; Placed \$1.2M term loan at 12% to repay note. Earnings: June Q EPS 16¢; Mar. CFS 24¢. 1978 operations substantially improved. Div: 14¢, up 1½¢. Shares: Buy/hold more speculative yield.

2 -SAN FRANCISCO RE (EVAL 8/17/8-Property-Dec FY) Self-adm. Port.: \$65M, 7% nonearn & foreclosed; Mix: 52% office, most bank occupied; 9% apts. Financing: 1.3 leverage, 93% mtgs. on prop. Earnings: June Q EPS 25¢; CFS 33¢. E FY'78 EPS & div. \$1.20-30. Div: 30¢/qtr. Credit restrictions lifted. Seeking new equity investments. Shares: Buy/hold at 16% below book value.

3N-SAUL (B.F) REIT (EVAL 8/31/8-Prop&Mtg.-Sep FY) NON-QUAL TRUST. Port.: \$258M, 11% non- & 9% low-earn; Mix: 87% property including 39% shop. ctrs., 31% apts.; Financing: 7.6 leverage; \$116M bank revolver at 125% of prime to 4/30/79; Mortgaged properties for \$51M to pay down banks. Earnings: June Q EPS d16¢ after 9¢ gain; E FY'79 EPS breakeven, no div. Bond & converts: For yield. Shares: Losses narrowing & cutting interest vulnerability

3N-SECURITY MTG (EVAL 10/27/7-Mtg/Forcl prop-Sep FY) CAN END REIT. Port.: \$130M, 27% non-earn; 21% foreclosed; Mix: 46% comcl. mtgs., 17% mtgs. on medical facil. Sold one-family second mtgs. Financing: 2.1 leverage; \$28M bank debt at 125% of prime to 3/30/79; Earnings: June Q d13¢ after 11¢ loss prov. E FY'78 EPS small loss, no div. Bonds: Moderately attractive. Shares: Trading/recovery

RELATIVE APPEAL RANKINGS - Continued from page 7

RA--TRUST (Date reviewed-Type-FY) Portfolio size, % problem status & mix; Financing; Latest EPS results, dividends & advice

- ↑3N-SOUTH ATLANTIC (was Atico) (EVAL 8/17/8-Mtg/Forcl prop.-Oct. FY) NON-QUAL TRUST. Self-adm. Port.: \$124M, 66% non- & 22% low-earn, 85% foreclosed; Mix: 51% apts/condos, 27% land; 90% Fla. Financing: 11.7 leverage; Signed 8/78 new \$69M bank credit accruing at prime rate; One bank sues for \$1M. Earnings: July Q EPS 8c after 66c loss reserve credit. Bonds: Inter. paid; Spec. yield. Shares: Look very high after recent price run-up.
- 3N-STATE MUTUAL (EVAL 1/31/8-Mtg/Forcl prop-Mar. FY) NON-QUAL TRUST. Port.: \$56M, 74% non- & low-earn; Mix: 14% hotels, 26% apts.; 24% land. Financing: 1.2 leverage; Sponsor bought \$50M assets reducing sr. debt to \$20M at 2% to 7/79. Earnings: June Q EPS 6c after 3c tax benefit. Bonds: Hold. Shares: Interesting speculation on further recovery at 33% below book value.
- 2N-SUMMIT PROP (EVAL 8/26/7-Property-Oct FY) NON-QUAL TRUST. Self-adm. Port.: \$48M, 5% non- & low-earn; Mix: 46% shop. ctrs. 13% apartments, 14% truck terminals. Financing: 3.5 leverage. Earnings: Apr. Q EPS d3c & CFS 3c after 10c cap. gain. FY'78 to be profitable. Shares: Speculation attractive for asset realignment, re-leasing of vacancies. One vacant trust terminal re-leased. Talking merger with Investors Realty.
- 2 -SUTRO MTG INV (RTR 8/11/8-ST mtg.-Mar FY) Port.: \$63M, 12% non- & 14% low-earn; 21% foreclosed; Mix: 32% office, 15% hotel/motel, 23% indust.; most CA. Financing: 0.7 leverage; \$38M credit at .375 over prime to 12/31/78 + 10% +10%; Earnings: June Q EPS 26c after 15c cap. gain. Funding new loans. E FY'79 EPS over \$1. Div: 22c. Converts: Safe yield. Shares: Buy for L/T recovery at 34% below book value; Hedging rate risk.
- 3N-TMC INDUSTRIES (RTR 12/22/7-Mtg/Forcl prop-Mar FY) INC. Port.: \$3M real estate investments, \$65M carpet co. assets. Financing: \$1.7M equity. Swapped many assets and merged with carpet maker 3/78. Earnings: June Q EPS 45c. Shares: Long-term speculation on potential in purchase of carpet co. with all borrowed funds; high risk. (NOTE: Stock will be removed from REALTY TRUST REVIEW because of business change.)
- ↑1N-TEXAS FIRST MTG (EVAL 6/9/8-Mtg/Forcl prop-June FY) NON-QUAL TRUST. Self-adm. Port.: \$18M, 71% nonearn; 58% foreclosed; Mix: 37% land, 9% office, 11% none-fam. land; Financing: 0.8 leverage; \$7M bank credit at prime to 9/78; Swapping fast to pay banks; assets pledged. Earnings: Mar. Q EPS 1c after 2c gain. Shares: Speculation on recovery at 48% below book value or favorable merger. Eastover bought 12% of stock.
- ↑2N-TIERCO (EVAL 6/9/8-Mtg/Forcl prop-Dec FY) NON-QUAL TRUST. Self-adm. Port.: \$32M, 34% non- & 28% low-earn; 31% foreclosed; Mix: 38% apts., 22% land; heavy Okla. & TX. Financing: 2.8 leverage; \$6M bank debt at 3 1/2% min. inter. + accrual to 8 1/2% or prime, to 6/80; Strong incentive to prepay. Earnings: June Q EPS 57c after 70c swap & sale gains. Shares: Spec. at 59% below book value on operating improvement & debt payment.
- 4N-TRECO (was Barnett) (EVAL 3/7/8-Mtg/Forcl prop-Mar FY) Converting to corp. Port.: \$119M, 94% non&low earn; 82% foreclosed. Mix: 23% condos, 26% apts., 22% land. Financing: Now \$2M positive equity; \$65M six-year bank credit at 1% inter. + partial asset pledge. Earnings: Mar. FY EPS \$7.44 after \$9.81 restruct. gains; June Q EPS d6c. Bonds: Inter. paid on old bonds. Old 8 1/2% and new pfid. now convertible at \$1.62/sh. or 5.39M potential new shares. Shares: Some speculative interest on restructuring but future still clouded.
- ↑3N-TRI-SOUTH MTG (EVAL 4/10/8-Mtg/Forcl prop-Dec FY) NON-QUAL TRUST. Port.: \$113M, 85% nonearning; 66% foreclosed; Mix: 36% land; 29% GA, 17% Tex., 28% Fla.; Financing: 17.7 leverage; Bank debt at 4% cash inter. or net cash income. Earnings: June Q EPS d15c after 13c restruct. gain. Bonds: Restructured with 55% taking new 10% sr. convert; paying past due inter. on old bonds. Shares: Now high after recent run-up.
- 4N-UMET TRUST (EVAL 10/27/7-Mtg/Forcl prop-Nov FY) NON-QUAL TRUST. Self-adm. Port.: \$124M, 23% nonearn; 74% foreclosed; Mix: 21% condos, 22% apts., 18% shop. ctrs., 19% office; Financing: \$6M neg. equity; \$73M bank credit to 8/79 at 6% + contingent int.; Earnings: May Q EPS d\$2.16 after \$1.90 loss prov. & 52c sale gain. Shares: Speculative; operating loss widening to dim outlook. Max. \$3.66/sh. interest forgiveness poss. in '79.
- ↑1 -UNITED REALTY (EVAL 1/31/8-LT mtg.-Nov FY) Port.: \$84M, 34% non- & 4% low-earn; 29% foreclosed; Mix: 18% GNMA's (pledged), 24% office, 20% apts.; Financing: 0.3 leverage; Pledged GNMA's to repay banks \$7M; Earnings: May Q EPS 20c after 2c gain. E FY'78 EPS & div. 82-85c. Div: 20c/qtr. Shares: Buy at 43% below book value for benefits from gradual problem loan solution. Funded two new loans.
- 2 -US BANCORP TRUST (EVAL 10/27/7-Prop&Mtg.-May FY) Port.: \$49M, E8% nonearn & 12% low; 17% foreclosed; Mix: 57% prop. owned or under construction, most indust., rest office; Financing: 2.3 leverage; \$29M credit to 2/18/79 at 120% prime. Earnings: May Q EPS 48c; CFS 65c after 29c loss credit. Div. Resumed with 15c Q + 10c special. Converts: Low but safe yield. Shares: LT recovery, good equity base, positive cash flow. Problems down.
- 2N-US REALTY INV (RTR 12/9/7-Prop&Mtg.-Dec FY) NON-QUAL TRUST. Port.: \$89M, E17% nonearn & 16% low; Mix: 38% mtgs., 62% owned property, Financing: 5.1 leverage; \$25M at 125% of prime payable at 5 3/4% or cash flow. Earnings: June Q EPS d5c; Mar. CFS 7c. E FY'78 positive EPS. Converts: OK for risk income. Shares: Buy/hold for long-term recovery. In strong uptrend; reducing mtgs. & debt, increasing properties.
- 2 -VIRGINIA RE (EVAL 10/27/7-Prop&Mtg.-Dec FY) self-adm. Port.: \$36M, 17% foreclosed & non-earning; Mix: 95% property. Financing: 1.1 leverage, all mtgs. on property; Earnings: June Q EPS d9c & CFS d4c after 20c prepayment penalty. Div: Sept. 15c. Shares: Hold/buy for long-term.
- ↑2N-WACHOVIA REALTY (EVAL 4/10/8-Mtg/Forcl prop-Aug FY) Port.: \$104M, 38% nonearn & 30% low; 43% foreclosed; Mix: 12% apts., 19% land & devel., 20% comcl., 11% hotel/motel; Financing: 1.6 leverage; \$54M debt to 7/79 at prime + contingent interest at 125% of prime. Earnings: May Q EPS d18c after 3c loss reserve credit. Shares: Speculation on long term recovery & asset disposition; 32% below book value.
- 3N-WALTER REALTY (EVAL 10/27/7-Prop&Mtg.-July FY) NON-QUAL TRUST. Port.: \$32M, 66% nonearn; 44% foreclosed; 20% property. Mix: 22% indust., 16% offices; 12% land; 47% Fla. Getting \$1.1M extra gain on 1977 prop. sale. Financing: 3.0 leverage; \$5M bank debt to 10/78 @ 117% prime; Sold idle loan & cut debt \$4M. Earnings: Apr. Q EPS d40c. \$1.05 potential gain in July Q. Shares: Modest potential after run-up; Hold for recovery.
- 2 -WASHINGTON REIT (EVAL 8/26/7-Property-Dec FY) Port.: \$32M, no nonearning; Mix: All property, 98% in Washington, D.C. area; 54% high-rise apts., 23% shop. ctrs., 23% distrib.-office. Financing: 0.8 leverage, most mtg. debt; Repaid bank debt. Earnings: June Q EPS 47c, Dec. CFS 55c; E FY'78 EPS \$1.50-60, div. \$1.80. Div: 45c. Shares: Buy/hold for income, top quality assets, condo potential in apts.
- 3 -WELLS FARGO MSE (EVAL 8/26/7-Prop&Mtg.-June FY) Port.: \$206M, 5% non- & 22% low-earn; 12% foreclosed; Mix: 40% apts., 13% one-fam. & condo. Financing: 1.6 leverage; Borrows under \$144M open lines backing \$108M commercial paper rated A-2. New commitments. Earnings: June Q EPS 34c after 7c gain & 1c recovery of past due interest. Div: 30c. Shares: Hold for recovery at 21% below book value; small interest risk.
- 2N-WESTERN MTG (RTR 12/9/7-ST mtg.-Feb FY) Port.: \$19M, 13% non- & 7% low earn; 12% foreclosed; Mix: 19% land acq. & devel., 29% apts. Buying & building new apts. Financing: 1.4 leverage; \$9M revolver at 1/2% over prime, plus \$2 1/2M from banks payable over 2 1/2 years. Earnings: May Q EPS 2c. E FY'79 EPS positive. Shares: Speculative buy for recovery and benefits of new property holdings.
- 2N-WESTPORT CO. (was HNC) (EVAL 1/31/8-Mtg/Forcl prop-Oct FY) NON-QUAL TRUST. Self-adm. Port.: \$83M, 49% non- & 16% low-earn; 52% fore.- 16% operating & held for inv. Mix: 7% condos, 22% land, 12% apts., 19% offices, 13% sports ctrs. Financing: 5.7 leverage, \$53M bank debt to 8/79 at 2 1/2-5% or net income w/conting. int. to 8%. Earnings: July Q EPS d3c. Converts: Possible tender. Shares: Speculative buy.
- 2N-WISCONSIN REIT (EVAL 8/26/7-Prop&Mtg-Dec FY) NON-QUAL TRUST. Self-adm. Port.: \$32M, 12% nonearning; Mix: 75% property, 12% construction inventory. Financing: 3.2 leverage, \$21M mtg. debt; \$3M short term. Earnings: June EPS d5c & Mar. CFS 8c after 12c cap. gain. Bought Fla. homebuilder and developing land. Nego. for Riverside Prop. with \$6M assets. Shares: Spec. on improving trend; Group bought 8.4% of shares.

REIT STATUS: All trusts listed except those noted qualify as real estate investment trusts and are exempt from Federal income taxes to extent they distribute 90% of income to shareholders. Qualified trusts may use net operating loss (NOL) carryforwards to shelter future profits and rebuild capital. Non-qualified trusts have no dividend distribution required and three stages in transition are shown: VOTING POWER TO END REIT STATUS when a proposal is pending before shareholders to give trustees discretion over whether to continue to qualify; CAN END REIT STATUS, when shareholders have given trustees power to end qualification; and NON-QUAL TRUST, when trustees have ended qualification and the entity operates as a business trust taxed as a corporation. Trustees of these entities generally have made no decision on whether to requalify and investors should not assume they will requalify and pay dividends even if profits are restored. The 1976 Tax Reform Act restricts requalification.